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**REPORT  
OF THE  
COMMITTEE ON  
THE FUNCTIONING OF  
THE SYSTEM OF WAGE BOARDS**



**NATIONAL COMMISSION ON LABOUR**

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## FOREWORD

In its attempt to understand the strong and weak points of the Wage Boards set up by the Government of India so far, and to see if guiding principles could be evolved for their functioning in the future, the National Commission on Labour appointed a Committee to review the system of wage boards in all its aspects. This was one of the series of Committees/Study Groups set up by the Commission for different industries and on different subjects. The Committee was required to analyse available information and project its thinking on the efficacy of the system of wage boards in the years to come taking into account the possible developments in the field of labour-management relations.

The views expressed in the report are the views of the Committee. In examining them for framing its final recommendations, the Commission will attach due importance to these views coming as they do from knowledgeable persons. In the meanwhile, the report is being published by the Commission with a view to seeking comments on it from persons/institutions interested in the subject.

The Commission is grateful to the Chairman and Members of the Committee individually for completing their work within the time limit fixed for them. The Commission is also grateful to all persons/institutions who may have helped the Committee in reaching its conclusions.

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## INTRODUCTION

One of the terms of reference of the National Commission on Labour, set up by the Government of India in December, 1966, is to study and report in particular on

“the labour laws and voluntary arrangements like the Code of Discipline, Joint Management Councils, Voluntary Arbitration and Wage Boards and the machinery at the Centre and in the States for their enforcement”.

In its first meeting held on 18th January, 1967, the Commission reached the conclusion that it should maintain a close liaison with the committees already appointed by Government for studying one or the other aspect of labour problems. It also desired that such of the committees as have been set up but have not started functioning, should, wherever possible, be converted into Study Groups which will send their conclusions to the Commission for taking an overall view.

One of the committees which the Department of Labour and Employment in the Government of India had decided to set up was on the review of working of Wage Boards. This committee had not started functioning by the time the National Commission on Labour was appointed, and as such the Department of Labour and Employment requested the Commission to take over the work of the committee under its auspices. Accordingly, the National Commission on Labour constituted the Committee on the Functioning of the System of Wage Boards in April, 1967.

The terms of reference and the composition of the Committee on the Functioning of the System of Wage Boards is given below:

### *A. Terms of Reference*

- (1) To study the working of the existing Wage Board System in all its aspects, including its contribution to the determination of fair wages and other conditions of work consistent with the circumstances of each industry and (its contribution) to the prevention of industrial disharmony.

(2) To examine the composition and functioning of the Wage Boards, the time taken by them in making their recommendations, the implementation of their recommendations and their effect on industry and consumer prices and labour conditions.

(3) To recommend such measures and changes in existing arrangements and practices, including the manner of constitution and functioning of the Boards, whereby their working may be improved and the time taken by the Wage Boards to complete their work might be reduced.

*B. Composition*

1. Shri Kanti Mehta.	Chairman
Indian National Trade Union Congress.	
2. Shri P. Chentsal Rao,	Member
All-India Organisation of Industrial Employers.	
3. Shri T.S. Swaminathan,	Member
The Employers' Federation of India.	
4. Shri G.C.L. Joneja,	Member
Commissioner, Civil Supplies, Ministry of Commerce, Government of India.	
5. Shri Teja Singh Sahni,	Member
Central Wage Boards, Ministry of Labour, Employment & Rehabilitation, Government of India.	
6. Shri Indraji Gupta, M.P.,	Member
All India Trade Union Congress.	
7. Shri T.R. Bhagwat,	Member
Dy. Commissioner of Labour, Government of Maharashtra.	
8. Shri A.C. Basu,	Member-Secretary
Joint Director, National Commission on Labour.	

One of the members, Shri Teja Singh Sahni, went abroad after the 4th meeting and could not participate in the further deliberations of the Committee. The Committee held its

first meeting on 11th May, 1967, and subsequently held 6 other meetings to conclude its deliberations. In the course of its work, the Committee met the Chairmen of some of the present and past Central Wage Boards and the Chairman of Statutory Wage Boards in the State of Maharashtra to solicit their views in various matters pertaining to the functioning of the Central Wage Boards. It also obtained the views of some of the independent members of Wage Boards through a questionnaire. The secretariat of the National Commission on Labour, which functioned as the secretariat of the Committee also, collected and analysed information on the functioning of the Wage Boards from reports of such Wage Boards, from the replies to the questionnaire issued by the National Commission on Labour and from concerned organisations like the Department of Labour and Employment and Labour Bureau, Government of India. This material was placed before the Committee in the form of notes and papers as required by it. The secretariat also collected material on wage fixing machineries in foreign countries through the International Labour Office, Geneva, and some of the foreign embassies in India. On the basis of an assessment of all the material, a set of basic questions were formulated by the Committee on the various aspects of the functioning of the system of Wage Boards and by discussing these questions in detail, the Committee arrived at its conclusions.

The present report of the Committee on the Functioning of the System of Wage Boards contains 6 chapters. The first four chapters present an analysis of factual material regarding the functioning of Wage Boards. Chapter I traces the origin and growth of the system and Chapter II discusses the operational procedures which have come to be adopted in the working of the Wage Boards and implementation of their recommendations together with an analysis of the time-factor involved at various stages. In this Chapter, a brief account is also given of the system of statutory Wage Boards functioning in the States of Maharashtra and Gujarat. In Chapter III, a review is made of some features of the wage fixing machineries in certain foreign countries. In Chapter IV, the principles regarding fixation of wage structure and other related matters, as followed by the various Wage Boards, have been discussed and an assessment has been attempted of the impact of their recommendations. Chapter V gives a critical appraisal of the system, as it has functioned

so far, with suggestions for improvement and Chapter VI summarises the conclusions and recommendations of the Committee.

The Committee wishes to express its gratitude to the Chairmen and Independent Members of some of the Wage Boards for helping in its task. It is also deeply grateful to the Chairman and Member-Secretary of the National Commission on Labour for taking keen interest in the Committee's work.



CHAPTER I

## GENESIS AND FRAMEWORK OF THE SYSTEM OF WAGE BOARDS

### EVOLUTION OF A WAGE POLICY

In Independent India, evolution of a wage policy started with the Industrial Truce Resolution unanimously adopted in a tripartite conference in December, 1947. The Resolution stated:—

“The system of remuneration to capital as well as labour must be so devised that while in the interest of the consumers and primary producers, excessive profits should be prevented by suitable measures of taxation and otherwise, both will share the product of their common effort after making provision for payment of fair wages to labour, a fair return on capital employed in the industry and reasonable reserves for the maintenance and expansion of the undertaking.”

The Resolution also recommended the setting up of suitable machinery for the study and determination of fair wages and conditions of labour.

2. The principles of the Industrial Truce Resolution were further emphasised in the Government's Industrial Policy Statement, 1948, which stated, *inter alia* their intention to fix statutory minimum wages in sweated industries and to promote fair wage agreements in the more organised industries. In pursuance of the first objective, the Minimum Wages Act, 1948, was passed. It covered agriculture and twelve other sweated industries which were listed and empowered State Governments to expand the list in the light of local conditions. The minimum wages under the Act were to be fixed by Government on the basis of recommendations of tripartite committees. For implementing the second objective of fair wages, the Government appointed in 1948 a Fair Wages Committee which was ‘to determine the principles on which fair wages should be based and to suggest the lines on which those principles should be applied’. This Committee, which was a tripartite body consisting of

Government representatives, industrialists and labour leaders, submitted its report laying down, for the first time, certain criteria for wage fixation and progressive improvement of the wage structure in India.

3. The Committee defined three broad wage concepts, namely, the 'minimum wage', 'living wage' and 'fair wage'. The minimum wage was to provide "not merely for the sustenance of life but for the preservation of the efficiency of the worker. For this purpose, the minimum wage must also provide for some measure of education, medical requirements and amenities". The 'living wage' was defined as an ideal level of wages which would provide "not only for a bare physical subsistence but also for the maintenance of health and decency, a measure of frugal comfort and some insurance against the more important misfortunes". Between these two limits was the 'fair wage', the floor for which was set by the minimum wage and the ceiling by the capacity of the industry to pay. Its actual determination would be based on (i) the productivity of labour, (ii) the prevailing rates of wages in the same or similar occupations in the same or neighbouring localities, (iii) the level of national income and its distribution and (iv) the place of the industry in the economy of the country. The Committee recognised that the different wage concepts would change with economic conditions. What was considered as a living wage at a stage of extreme economic under-development might not be considered as even a minimum wage at a later stage when the standard of living of people generally had considerably improved.

4. The Fair Wages Committee, 1948, also recommended setting up of wage-fixing Boards for ensuring adequate wages. Their ideas on this subject were as follows:—

"In our opinion, there should be only one provincial board for each province composed of independent members and of representatives of employers and employees in equal numbers. The provincial wage boards will co-ordinate the activities of the various regional boards, issue instructions of general application in order to ensure uniformity and provide a few members to each regional board in order to get its point of view considered by regional boards. It will be necessary to establish regional boards for each of the industries taken up for wage regulation .... There should also be provision for

the appointment of assessors for assisting the regional board”.

5. The advent of the era of planning brought in its wake a set of new problems as well as popular expectations. The inflationary potential inherent in the process of development called for a close check on the wage-price spiral. The social objectives of democratic planning implied a “fair treatment” to labour. The First Plan, therefore, strongly favoured the setting up of Wage Boards to deal “comprehensively with all aspects of the question of wages, to initiate necessary inquiries, collect data, review the situation from time to time and take decisions regarding wage adjustment *suo moto* or on reference from parties or from the Government”. The Second Plan went further and stated that “an authority like a tripartite wage board, consisting of equal representatives of employers and workers and an independent chairman will probably ensure more acceptable decisions. Such Wage Boards should be instituted for individual industries, in different areas”.

### CONSTITUTION OF WAGE BOARDS

6. In January, 1957, the Ministry of Labour, Government of India, in consultation with State Governments, formulated proposals for setting up Wage Boards for seven major industries. However, it was finally decided that to begin with a Wage Board might be set up for the cotton textile industry and after gaining some experience of the work of that Board, the principle might be extended to other industries for which such Wage Boards might be considered necessary. A Wage Board for the cotton textile industry was accordingly set up on 30th March, 1957. This Wage Board was composed of a Chairman, two Independent Members, two Members representing employers and two Members representing workers. The terms of reference of the Wage Board were given as follows :

- “(a) to determine the categories of employees (manual, clerical, supervisory, etc.) who should be brought within the scope of the proposed wage fixation ;
- (b) to work out a wage structure based on the principles of fair wages as set forth in the report of the Committee on Fair Wages ; and

#### EXPLANATION :

*In evolving a wage structure, the Board should, in addition to the considerations relating to fair wages also take into account*

- (i) *the needs of the industry in a developing economy ;*
- (ii) *the requirements of social justice ; and*
- (iii) *the need for adjusting wage differentials in such a manner as to provide incentives to workers for advancing their skill ;*
- (c) to bear in mind the desirability of extending the system of payment by results ;

**EXPLANATION :**

*In applying the system of payment by results, the Board shall keep in view the need for fixing a minimum (fall-back wage) and also to safeguard against overwork and undue speed.*

The headquarters of the Board will be located at Bombay".

7. In July, 1957, the 15th session of the Indian Labour Conference discussed the subject of wage policy during the Second Five-Year Plan. It was agreed that the appropriate machinery for wage fixation would be tripartite Wage Boards similar to the Cotton Textile Wage Board. This Conference also adopted the following norms for the calculation of a "need-based" wage for industrial workers :

- (i) In calculating the minimum wage, the standard working class family should be taken to consist of 3 consumption units for one earner ;
- (ii) Minimum food requirements should be calculated on the basis of a net-intake of 2,700 calories for an average adult of moderate activity ;
- (iii) Clothing requirements should be estimated at a per capita consumption of 18 yards per annum ;
- (iv) In respect of housing, the norm should be the minimum rent charged by Government in any area for houses provided under the Subsidised Industrial Housing Scheme for low-income groups ; and
- (v) Fuel, lighting and other miscellaneous items of expenditure should constitute 20 per cent of the total minimum wage.

While accepting these norms for fixation of minimum wage for industrial workers throughout the country, the Conference recognised the existence of instances where difficulties might be experienced in implementing these recommendations in which case the authorities concerned should justify

the circumstances which prevented them from adherence to the norms laid down.

8. During the period of the Second Five-Year Plan, Wage Boards were set up for four more industries, namely, Sugar (Dec. 1957), Cement (April, 1958), Jute (Aug. 1960) and Tea Plantations (Dec. 1960).

9. The Third Five-Year Plan noted that the system of Wage Boards was being extended to more industries and that representatives of employers and workers had agreed that unanimous recommendations of Wage Boards should be implemented fully. During the period of the Third Five-Year Plan, more Wage Boards were set up for Rubber Plantations (July, 1961), Coffee Plantations (July, 1961), Iron and Steel (Jan. 1962), Coal Mines (Aug. 1962), Iron Ore Mines (May, 1963), Limestone and Dolomite Mines (May, 1963), Working Journalists (Nov. 1963), Non-Journalists (Feb. 1964), Port and Dock (Nov. 1964), Engineering (Dec. 1964), Heavy Chemicals and Fertilisers (Nov. 1965) and Leather Industry (March, 1966). In addition, second Wage Boards were set up for Cotton Textile (Aug. 1964), Cement (Sept. 1964) and Sugar (Nov. 1965) industries.

10. The draft outline of the Fourth Five-Year Plan stated as follows :—

“Since 1957, Wage Boards have been appointed in several industries and suggestions have been made for setting up Wage Boards in a few others. The stage has been reached when a careful review of the working of Wage Boards and the criteria followed by them should be undertaken, so that guiding principles for the Fourth Five-Year Plan may be evolved in the near future”.

The last two Wage Boards to be constituted were for Electricity Undertakings and Transport Industry in May, 1966, and it is understood that Wage Boards have been demanded for several more industries like Paper, Film-making, Woollen Textile, Building Stone, Handloom, etc.

11. Out of the 22 Wage Boards set up so far, 14 have submitted their final reports and 8 are still in operation. The position as at the end of December, 1967, is indicated below :—

*Wage Boards which have submitted their final reports.*

1. Cotton Textile (1st)
2. Sugar (1st)
3. Cement (1st)
4. Jute
5. Tea Plantations
6. Coffee Plantations
7. Rubber Plantations
8. Iron and Steel
9. Iron Ore
10. Limestone and Dolomite
11. Working Journalists
12. Non-Journalists
13. Coal Mining
- \*\*14. Cement (2nd)

*Wage Boards which are still in operation.*

1. Cotton Textile (2nd)
2. Port and Dock \*
3. Engineering \*
4. Heavy Chemicals and Fertilisers \*
5. Sugar (2nd) \*
6. Leather and Leather Goods \*
- \*\*7. Electricity Undertakings \*
- \*\*8. Road Transport \*

**PROCEDURES FOLLOWED**

**12. Selection of Industries :** The appointment of Wage Boards has taken place depending upon the intensity of demand from the labour side and consideration of the practical situation like the presence of well-knit organisations of employers and workers, the financial position of the concerned industry and the existing level of wages in the concerned industry. On receipt of demands from workers, the decision to constitute a Wage Board is taken either on recommendations of a tripartite or bi-partite committee representing the interests concerned or on recommendations of a study group or special committee appointed to go into the question of feasibility of such a Wage Board. The Ministry of Labour and Employment, Government of India, invariably consults the Ministry concerned with the particular industry and takes the concurrence of the latter to the appointment of the Wage Board and to the terms of reference. The Department of Economic Affairs, Ministry of Finance, is also consulted before constitution of Wage Boards.

**13. Selection of Members :** The composition of Wage Boards has been on the pattern set for the First Wage Board

**Note :** \* These Wage Boards have made recommendations for interim wage increases.

\*\* The reports submitted, but under consideration of Government.

for the Cotton Textile Industry. Each Wage Board is presided over by an independent Chairman and it includes 2 Independent Members — one of them is generally an economist and the other an M.P./M.L.A. or some other public figure. The number of employers' and workers' representatives is 2 or 3 from each side. The procedure adopted in the selection of the various members of a Wage Board is as follows :—

*Chairman* :—The Chairman is selected by Government. He is usually a retired or serving officer of the judiciary. The Chairmen appointed so far have included District Judges, retired High Court Judges and a retired Chief Justice of a State High Court.

*Independent Members* :—The economist member and the M.P. are selected by the Ministry of Labour and Employment, Government of India. For selecting the economist member, consultations have been made with various Departments/Agencies, such as the Economic Adviser in the Ministry of Finance, Planning Commission, National Council of Applied Economic Research, etc. In case of the M.P. member concurrence of the Department of Parliamentary Affairs is obtained to his nomination by the Labour Minister.

*Employers' Representatives* :—The organisations to be represented on the Wage Board are decided in consultation with the Ministries concerned with the industry. The concerned organisations are then requested to nominate their representatives on the Wage Board. Representatives of public sector undertakings have also been included in Wage Boards dealing with industries which have a sizeable public sector.

*Workers' Representatives* :—The Labour seats are allocated to different central organisations/federations of workers keeping in view the latest figures of their verified membership strength. The concerned organisations/federations are then requested to nominate their representatives against the number of seats allotted to them.

Only the Chairman is a full-time member of the Board and often a Chairman has more than one Wage Board under his charge simultaneously. All other members get travelling allowance and daily allowance at prescribed rates for attending the meetings of the Board.

**14. Determination of Terms of Reference** :—The terms of reference of the Wage Boards have been on the pattern of

those fixed for the Wage Board for Cotton Textile Industry, as described in para 6. Some minor additions/alterations have been made in a few cases as a result of views expressed by the concerned Ministries, and/or the organisations of employers and workers, and the Study Groups appointed to report on the feasibility of setting up Wage Boards.

15. The composition of a Wage Board and its terms of reference are announced in an Order of the Government of India in the Ministry of Labour and Employment. Thereafter, the Wage Board starts functioning and when its deliberations are over, it submits a final Report on its recommendations to the Ministry of Labour and Employment, Government of India. The Wage Boards have been authorised to make recommendations for interim relief, pending submission of their final report, if considered necessary, and several Wage Boards have done so. After submission of its final report, the Wage Board is wound up.

16. **Acceptance of Recommendations:**—The recommendations of Wage Boards are first examined in the Ministry of Labour and Employment. Thereafter, the comments of the Ministries concerned are invited in the matter. Final decisions are taken after considering the comments of the concerned Ministries and in some cases after ascertaining the views expressed by the organisations of employers and workers. The general policy of the Government has been to accept such of the recommendations as are unanimous and only in a few cases either the interim or final recommendations of Wage Boards have been modified. The final decisions of Government on the recommendations of a Wage Board are notified in Official Gazettes, but they have no statutory backing. According to the practice adopted, implementation of the final decisions is secured through the process of persuasion and advice using the machinery of State Governments. Initially this method of implementation seemed to work well, but of late, difficulties have increased. The matter was discussed in the meeting of the Standing Labour Committee held in January, 1960, and the following conclusion was reached :—

“The consensus of opinion was not in favour of the proposal to place Wage Boards on a statutory footing for the present. The parties concerned should implement the unanimous decisions of the Wage Boards. If, however, they failed to do so

Government should take steps to give effect to the recommendations statutorily, if necessary.

17. The basic nature of the recommendations of the Wage Boards has not changed so far and only one State Government, namely, that of Uttar Pradesh, has resorted to statutory implementation of recommendations made by some Wage Boards under Section 3 of the Uttar Pradesh Industrial Disputes Act, 1947.

#### GENERAL OBJECTIONS

18. The system of Wage Boards, as it has so far evolved, has been described above. The manner of their functioning will be discussed in the next chapter. At this stage, it may be stated that the system was instituted with several expectations. By giving an active role to the parties concerned, the system was expected to produce more durable results and better climate for industrial relations. The presence of Independent Members was expected to safeguard the general interests of the community and the MP-Member was specifically supposed to represent consumers' interests. The decisions of the Wage Boards covering an entire industry were expected to lead to standardisation of wage structure for the industry concerned. Lastly, by suitably fixing the terms of reference of the Wage Boards, it was expected that wage settlements would be brought within the broad framework of social and economic policies of Government.

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## CHAPTER II

### HOW THE SYSTEM OF WAGE BOARDS HAS BEEN FUNCTIONING

#### ENQUIRIES MADE BY WAGE BOARDS

19. After a Wage Board is set up, it establishes its office under a Secretary. One of the first tasks of the Board is to prepare a comprehensive questionnaire covering all aspects of the problem referred to them. The questionnaire is usually designed to collect information regarding existing conditions in the industry, to elicit information in respect of wage structure that should be devised for the future and to obtain opinion on various pertinent matters. The questionnaire covers details of processes of work, categories of employees, wage structure, employment, housing and amenities, cost structure, financial working, etc. This questionnaire is mailed out to the principal Federations/Associations of Employers and Workers, individual employers of the industry, local unions connected with the industry, State and Central Governments, public men interested in labour problems, etc. The replies received to the questionnaire are analysed by the office of the Board and later placed before the Board. In the meantime, the Board visits principal centres of the industry to get first-hand information on the spot. It also conducts public hearings to elicit such information as is required and also to enable interested parties to give evidence in support of their case and to explain their views on different aspects of the enquiry. Besides this general procedure, some of the Wage Boards, e.g. those for cement (first), sugar and iron and steel appointed sub-committees to go into specific issues, e.g. collection of retail prices and standardisation of occupational nomenclature and job content.

#### MEETINGS OF WAGE BOARDS

20. After the above enquiries are completed and the results analysed, the Wage Board begins its deliberations through a series of meetings to evolve the final wage structure and the final recommendations. The Board frames its rules for quorum to meet the contingency of some of the members

not being able to attend the meetings. For example, the Board for the Coffee Plantation industry laid down that the Board's quorum should consist of

- (a) Chairman or, in his absence, one Independent Member as acting Chairman ;
- (b) One Member representing Employers :
- (c) One Member representing Workers.

This has been the general rule for quorum in Wage Board meetings. Though the Board's meetings are strictly confined to its members, in some cases (e.g. Tea Plantation Wage Board), advisers to employers' and workers' representatives have been allowed to be present at the deliberations on the understanding that the proceedings will be kept confidential. For some of the Wage Boards, membership changed owing to some member resigning due to ill-health, accepting other appointments, etc., and in such cases the vacancies were filled up by Government, keeping the composition unchanged.

#### TIME TAKEN BY WAGE BOARDS

21. The following statement will indicate the time taken by Wage Boards to complete their work and submit their final reports to Government.

<i>Industry for which Wage Board was set up</i>	<i>Date of constitution of Wage Board</i>	<i>Date of submission of final report</i>	<i>Total time taken (Yrs/ months)</i>
Cotton Textile	30.3.67	1.12.59	2—8
Sugar	23.12.57	28.11.60	2—11
Cement	2.4.58	7.10.59	1—6
Jute	25.8.60	4.9.63	3—0
Tea	5.12.60	31.5.66	5—6
Coffee	7.7.61	6.8.65	4—1
Rubber	7.7.61	12.8.66	5—1
Iron and Steel	5.1.62	21.2.65	3—1
Iron Ore	3.5.63	21.2.67	3—9
Limestone and Dolomite	3.5.63	21.2.67	3—9
Working Journalists	12.11.63	17.7.67	3—7
Non-Journalists	25. 2.64	17.7.67	3—5
Coal Mining	10. 8.62	13.2.67	4—7
Cement (2nd)	2. 9.64	14.8.67	2—11

It will be seen that a period of 3 to 5 years has been the normal time taken by a Wage Board to complete its work. On this score, the functioning of Wage Boards has come in for a good deal of criticism. Some of the Wage Boards have reported routine delays in recruitment of staff,

in getting the questionnaire printed, in getting replies to questionnaire, etc. In fact, the printing of questionnaire seems to have taken 5/6 months in some cases. The process of getting replies to the questionnaire and rectification of incomplete or defective information through correspondence has also generally involved a good deal of time. For example, the Wage Board for the Iron and Steel Industry has stated in its report that the questionnaire was issued in July, 1962, and in view of initial poor response, the last date for receiving replies had to be extended from time to time till 15th March, 1963. The Wage Board for the Rubber Plantation Industry issued its questionnaire in March, 1962, and had to extend the last date for receiving replies to 26th May, 1962. The Wage Board for the Jute Industry issued its questionnaire in February, 1961, and had to extend the time-limit for submission of replies to December, 1961.

22. Public hearings conducted by the Board have also taken much time in some cases, particularly when the industry is spread out in different parts of the country and the public hearings had to be held in different places. For example, the Wage Board for the Tea Plantation Industry reported that it "had to meet 18 times for a total number of 62 days for hearing the parties only".

23. The proceedings and deliberations of the Boards have also sometimes been interrupted either due to members not being able to attend the meetings or due to lack of accord among members regarding the recommendations to be made or due to changes in the composition. For example, the Wage Board for the Coffee Plantation Industry could not complete the hearings in time "as the Board could not meet for some time, according to the programme, for lack of quorum as both the workers' representatives on the Board were not in a position to participate in the meetings for reasons beyond their control." The Board for the Rubber Plantation Industry, "took some time in reaching unanimous decisions in the finalisation of its recommendations". The Tea Plantation Wage Board reported that "frequent changes in the composition of the Board did also come in the way of expediting the hearing part of the Board's work" The same Wage Board also reported that the "Board was very keen to achieve unanimity and made all possible efforts to iron out differences between parties. For this purpose, it held several meetings and this is one of the main reasons for delay in submitting Board's report".

### TIME TAKEN BY GOVERNMENT

24. After a Wage Board submits its final report to Government, the latter normally takes 2 to 4 months in accepting the recommendations. Where the recommendations of the Board are not unanimous and it becomes necessary for Government to modify them, time taken in finalising the recommendations becomes more, because a process of further consultations has to be entered into. Of late, the recommendations of the Wage Boards have tended to be non-unanimous and controversial.

### IMPLEMENTATION OF RECOMMENDATIONS

25. Soon after Government decisions are announced on the report of a Wage Board, the concerned State Governments are requested to furnish periodical progress reports on implementation of the decisions to the Ministry of Labour and Employment, Government of India. These reports are generally received late and the process of implementation of the recommendations has been found to be slow in several cases. From the reports received by the Ministry of Labour and Employment, Government of India, it is seen that the recommendations of the Wage Boards have been implemented almost fully in the cases of cotton textiles, sugar, cement, jute, iron and steel, tea and coffee plantation industries. Of the earlier Wage Boards, only for the rubber plantation industry, the implementation has been poor (about 55%). It may be stated that in this industry there was much agitation by workers against the recommendations of the Wage Board and the Government persuaded the employers to agree to certain modifications. For later Wage Boards difficulties are increasingly coming in the way of implementation of accepted recommendations of the Wage Boards and the resultant position is unsatisfactory.

### ROLE PLAYED BY MEMBERS

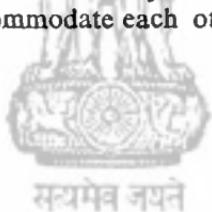
26. It is difficult to generalise about the role played by different groups of members in the deliberations of the Wage Boards because the situation has differed from Board to Board. Taking only the broad features, the Chairman has to play the part of the captain of the team and, apart from carrying on the whole procedural part of the system of Wage Boards, he has to direct a good deal of attention towards bringing out unanimous recommendations of the Board. A view has been expressed that he has not sufficient powers to exercise over the members in conducting the deliberations of the

Board and it has been suggested that such powers may be given to the Chairman in the terms of reference so that he can ensure better team work in the Board. The roles of Independent Members becomes important, particularly when there is disagreement in the Board among the representatives of employers and workers. It is, however, felt that the selection of such members should be made very carefully so that the selected members can really and capably contribute towards the deliberations of the Board and they are truly "independent". From this point of view, the general opinion seems to be that the Independent Member to represent consumers' interests should not necessarily be M.P./M.L.A. The representatives of workers and employers on the Board are the two negotiating parties. It has generally been felt that these members should be capable of taking objective and broad-based views of matters, consistent with the interests of organisation which they represent, in order to make the high-level collective bargaining within the Board more purposeful and faithful.

#### STATUTORY WAGE BOARDS IN MAHARASHTRA AND GUJARAT STATES

27. While the discussions so far have been on the system of Central Wage Boards which are non-statutory in character, a system of statutory Wage Boards has also prevailed in the States of Maharashtra and Gujarat under the Bombay Industrial Relations Act, 1946. Some details of this latter system will be of interest here. The statutory Wage Boards have been set up for separate industries (cotton, silk and sugar) in the whole State. The Board for the cotton textile industry in Maharashtra State has seven members—2 representing employers, 2 representing employees and 3 independent members, including the Chairman. The Board for silk and sugar industries consists of 2 representatives each from employers and employees under an independent Chairman. In Gujarat State, the Board for cotton textiles consists of 2 members each from employers and employees under a Chairman and the one for silk consists of one member each from employers and employees under a Chairman. All the members are nominated by the State Government. Disputes relating to reduction of staff, increase of staff, rationalisation, wages and allowance and hours of work and rest intervals can be referred to these Boards by the State Government, approved union or employers. After a reference is received by the Board, notices are issued to

the parties for filing Statements of Claim which are then exchanged between the parties. Thereafter, the Board hears the parties and takes such oral or documentary evidence as may be necessary. The members also go out often for local inspection of processes, assessment of workload, etc. Having collected the necessary material (through evidence, inspection, etc.) the Board holds chamber meetings to finalise decisions. The decisions are taken by a majority vote of the members present including the Chairman, who has a second or casting vote in the event of a tie. The decisions are issued as orders which are legally binding, but an appeal can be filed before the Industrial Court and the parties also can move the Wage Board for a modification of its order. Recently, the Government of Maharashtra has amended the Act preventing appeals to the Industrial Court against unanimous decisions of the Wage Board. The system is reported to have worked well both in Maharashtra and Gujarat States and its chief advantages are claimed to be that it is a permanent body (not an *ad hoc* one) with powers of review and modification of its orders, and since the decisions of the Board are judicial and appealable, the members try to accommodate each other to arrive at agreed decisions.



CHAPTER III

## WAGE FIXING MACHINERIES IN CERTAIN FOREIGN COUNTRIES

### METHODS OF WAGE FIXATION

28. The machinery for wage fixation and regulation in any country has to be geared to the principles and practices proposed to be followed in this regard. These principles and practices can vary. For example, wages can be regulated statutorily by government in exercise of its powers. This can be done either independently of the wishes of the employers and workers or in association with them. Wages can also be determined purely by collective bargaining, i. e. on the basis of agreement between workers and employers either individually or collectively. Also, wages can be regulated by industrial courts whose findings or awards are binding on the parties, although the parties may be given an opportunity to put forward their cases. One hardly comes across the exclusive use of only one of these methods in undiluted form in any country. Usually, it is a combination of different methods depending on economic and social structure, the stage of development of the employers' and workers' organisations, the ultimate economic and social objectives and political set-up of the country. It is, therefore, naturally to be expected that there will be all shades of differences in the machinery for fixation and regulation of wages in different countries.

29. In regard to the machinery for fixation of minimum wages, however, a certain broad international pattern has grown, though variations from country to country are still pronounced, owing to I. L. O. Convention No. 26 on Minimum Wage-Fixing Machinery which has been ratified and, in principle, carried into effect by 40 countries. The Convention provides that "employers and workers concerned shall be associated in the operation of the machinery, in such manner and to such extent, but in any case in equal numbers and on equal terms, as may be determined by national laws and regulations". Therefore, bipartite or, as is more often the case, tripartite minimum wage fixing machinery exists in many countries.

## DISTINCTIVE FEATURES OF THE CENTRAL WAGE BOARD SYSTEM

30. The system of Central Wage Boards in this country is also based on tripartite machinery, but has the following distinctive features :—

- (i) It deals with the entire wage-structure for an industry ;
- (ii) It attempts to fix 'fair' wages ;
- (iii) It seeks to link wage-fixation with broader economic and social policies in the context of developmental planning ;
- (iv) It operates purely on a voluntary basis.

There are few parallels to this system in foreign countries. However, some analogies in parts can be drawn from the practices followed in some countries either for fixation and regulation of minimum wages or for settlement of wage disputes. Some of these details are given in the ensuing paragraphs for a few selected countries.

### DETAILS OF MACHINERY IN SOME COUNTRIES

31. U. K. : In the United Kingdom, minimum wages are determined by tripartite wage councils set up under the Wage Councils Act of 1958. A wage council consists of an equal number of members representing employers and workers and not more than three independent persons, one of whom is appointed by the Minister to act as Chairman and one as Deputy Chairman. The independent persons are chosen by the Minister at his own discretion from among members of legal profession, university teachers or social workers. The representatives of workers and employers are chosen in consultation with the respective organisations. The quorum of the council consists of one independent member and not fewer than one-third of the total number of representative members. It is thus possible to hold a valid meeting of the council even if the whole of one side (employers or employees) abstain.

In its actual working, the emphasis in the wage council is on bringing about an agreed settlement, with the independent members playing the role of conciliators. First of all, the leaders of the employers' and workers' representatives hold discussions to see whether they themselves can come to a settlement. If no agreement is reached, then the independent members confer with both the parties separately to see whether through their good offices they can

reduce the gap between the two sides. If not, the independent members will support the motion sponsored by either the employers or the workers, which then becomes the decision of the council by majority vote. Though the votes of the independent members can be the deciding factor, they cannot be considered as arbitrators imposing their will on the council in the sense that they can neither sponsor a motion of their own in the council nor can they over-rule any agreed settlement between the parties, however objectionable that might be.

Once a final decision is taken by the council, it is sent to the Minister for issuing a Wage Regulation Order. However, the Minister can refuse to sign the Order if he feels that there are valid grounds for not accepting the recommendations and refer the case back to the council for re-consideration. Some of the principal grounds on which he can refer the case back are (i) that the proposals are contrary to public interest, (ii) some portions of the proposals are likely to be *ultra vires* of the Constitution, and (iii) the procedure adopted by the council for arriving at their decisions was improper and unconstitutional.

**32. Ceylon :** In Ceylon, the Wage Board Ordinance of 1941 provides for the setting up of Wage Boards in respect of trades or industries in which no arrangements exist for the effective regulation of wages i.e. for fixation of minimum wages and other conditions of employment. Although the minimum legal rate applies to the whole of country, the legislation expressly provides for the protection of 24 industries and branches of commerce. Before setting up a Wage Board, the Minister gives notice of his intention through the press in reply to which the employers and workers can make representations. The Wage Board is composed of equal number of representatives of employers' and workers' organisations under the Chairmanship of the Commissioner of Labour. The powers of the Wage Board are nation-wide, but it also intervenes at the sectoral level for each type of activity. The decisions of the Wage Boards have the force of law and are implemented through the inspectorate of the Department of Labour.

**33. Australia:** In Australia, the set up for regulation of industrial relations at the Federal level consists of (i) the Federal Court and (ii) the Federal Conciliation and Arbitration Commission. Wage disputes can be brought before the Commission either by the employers or the trade unions.

The Commission consists of a President and a number of Deputy Presidents and Commissioners. The Presidential members are deemed to have the same qualifications and status as the Judges. No particular qualifications are prescribed for the Commissioners, but they are usually men of proven status, experience and ability, irrespective of whether they are advocates of employers' or workers' interests or government officials. Once a dispute is brought before the Commission, conciliation proceedings start under the guidance of a Commissioner. Arbitration is resorted to only on the failure of conciliation efforts. The Commission also periodically reviews and fixes the national minimum wage. For this purpose, the representatives of employers and workers are heard by a bench of at least three Presidential members.

At the State level also, similar machinery exists although there are many differences in the constitution, powers and functions of these bodies. Generally, the States set up Conciliation Committees, Wage Boards or Industrial Boards on an industry-basis. These consist of representatives of employers and unions engaged in the industry. Usually, there is provision for appeal against the decisions of Wage Boards, etc. to a court consisting either of judges or a judge alone or of a judge with the assistance of representatives of both sides of the industry.

**34. Japan :** In Japan, minimum wages are regulated by the Central Wage Council and the Local Wage Councils, whose respective jurisdictions are defined by the Wage Council Order. The Councils consist of an equal number of representatives of employers, workers and the public interest. The Chairman must be elected from the members representing the public interest. The decisions of the Council are made by majority vote and in case of tie, the Chairman decides. Whether minimum wages for the workers employed in certain enterprises or in certain occupations need to be fixed or not, has to be first decided by the competent office and then they should request the Wage Council to make investigations and recommendations. The competent authority must hold public hearings on the recommendations of the Wage Council and fix minimum wages.

For settlement of important wage disputes, Japan has standing agencies like the Central Labour Relations Commission, Local Labour Relations Commission, the Central and

Local Seamen's Labour Relations Commission, etc. To take the case of Central Labour Relations Commission it has twenty-one members, representing workers, employers and the public in equal numbers. Members are not full-time and their remuneration and other expenses are met by the government. In the adjustment of disputes, the C.L.R.C. utilises one of three methods, viz., conciliation, mediation or arbitration, the chosen method being agreed upon on a voluntary basis. Conciliators are appointed by the Chairman and they are usually public members of Central or Local Labour Relations Commissions and private persons with knowledge and experience. Mediation is carried on by a tripartite committee of mediators appointed from among the workers, employers and public members of the Labour Relations Commission. The public member summons the parties to state their case, draws up the terms of settlement and submits them to the parties for acceptance. The mediators' proposals are not binding so that the parties are free either to accept or reject them. The award of arbitration is binding on both the parties and hence the Labour Relations Adjustment Law provides for voluntary application for arbitration based on the agreement of the concerned parties.

35. **Yugoslavia:** In Yugoslavia, wage fixation and regulation takes place under the system of workers' management which has been developed throughout the economy. In each undertaking, a wage schedule, typically for a year, is first proposed by the managing board which distributes a draft for comments to all workers 15 days prior to submission to workers' council, the people's committee of the local commune and the trade union. A joint committee of these three organisations discusses the proposal and all comments and, if agreement is reached in the committee, the wage schedule is submitted to the three bodies for approval. If no agreement is reached, the dispute is necessarily referred to arbitration by two representatives of the trade union, two representatives of the chamber of trade and an umpire appointed by the Government of the Republic from lists prepared by the Secretary for the affairs of National Economy. The decision is final and binding. If the undertaking does not realise sufficient receipts to cover all costs, including the prescribed wage scales, then wages payments may be reduced, though wages to individual workers are not reduced below 75% of the prescribed scale.

36. **India:** In India, there is a net-work of machinery for minimum wage fixation and revision under the Minimum Wages Act, 1948, for specified industries and agriculture. There is also an elaborate machinery for settlement of industrial disputes and this covers wage disputes also. In addition, the system of Central Wage Boards was set up mainly for fixation and standardisation of industry-wide wage structure on a fairly long-term basis so as to lead to reduction in wage disputes which used to account for a major proportion of all industrial disputes. By and large, this system has been applied to organised industries and the principal method followed for arriving at decisions in the Wage Boards has been high-level collective bargaining between the representatives of employers and employees of the industry with the assistance of the third party. By convention, government has been accepting all the unanimous decisions of the Wage Boards and in some recent cases, they have also accepted majority decisions without any modifications. In the matter of implementation of the decisions of the Wage Boards also, Government has been following the practice of persuasion and advice without recourse to compulsion. It is important to bear these features in mind in making comparisons with foreign practices. Lastly, another chief aim of the system of Wage Boards in this country, is alignment of wage policy with broader economic and social policies. In this connection, the following extract from the resolutions concerning wage policy adopted in a recent Conference of the International Labour Organisation is of interest:

“Whatever measures are adopted for the application of wage policy, the best assurance that the basic aim of social progress will be achieved may be found in coordinating wage policy with economic and social policy which is carefully planned to make the most of the economy's capacity to produce better standards of living for all. These policies should be elaborated, coordinated and applied with the full participation of employers' and workers' representatives and all sections of the community in the spirit of the Consultation (Industrial and National Levels) Recommendation, 1960.”

## CHAPTER IV

### PRINCIPLES FOLLOWED BY THE WAGE BOARDS AND THE IMPACT OF THEIR RECOMMENDATIONS

#### SCOPE OF INDUSTRY

37. The terms of reference of a Wage Board generally leave it to the Board to decide the categories of employees who should be covered for the purpose of wage fixation. The Board, therefore, tries to define the industry as well as the categories of workers to be brought within the purview of their recommendations. The Boards have generally covered the whole industry without any restriction about the size or location of units. For example, the Wage Board for the Cotton Textile Industry took into account all composite and spinning mills. The Wage Board for the Jute Industry decided that its recommendations should apply to all the jute mills now existing in India and all those which might be started later. The First Cement Wage Board covered not only cement factories but also captive lime-stone quarries and places where calcareous sand or shells were collected and clay was excavated. In the case of Road Transport industry, it was originally laid down in the terms of reference that establishments employing 20 or more workers should be covered by the Board. The Board, however, found that majority of operators in this industry owned one or two vehicles and employed less than 20 workers and in that way a large number of workers would not be covered by the terms of reference. On the recommendation of the Board, the Government extended the coverage of the Wage Board to establishments employing 5 or more workers. Even this extension of the coverage is likely to bring in only about 10 to 12 per cent of the total workers employed in this industry; but, going below this limit has not been considered to be practicable.

#### COVERAGE OF EMPLOYEES

38. As regards the types of employees to be brought within the purview of the recommendations of the Boards, the general approach has been to include all operatives, clerical staff and lower grades of technical and supervisory

staff. Many of the Wage Boards have limited the scope of their recommendations to the definition of "workmen" of the Industrial Disputes Act. The Wage Board for Tea Plantations decided to bring within the purview of its recommendations all those workers who were employed in fields, factories, workshops, offices, hospitals, dispensaries, schools and welfare establishments, etc., in the tea plantations or connected with them and coming within the definition of "workmen" in clause(s) of section 2 of the Industrial Disputes Act. The Iron and Steel Wage Board also included all those employed even outside the plants in services like towns, medical, educational, municipal and water works departments. The Wage Board for the Coal Mining industry covered workmen in by-product coke plants, bee-hive and country coke ovens, captive power stations, washeries, stowing, ropeways, tramways and private railways belonging to coal companies, Zemindary offices, canteens, educational institutions, etc., besides in mines. Generally, apprentices and learners and employees of Head Offices located outside the establishments have been excluded.

#### MINIMUM WAGE

**39. Need-based Minimum Wage:** After having defined its field and scope, the Board sets upon its main task namely, to work out a wage structure in accordance with the guiding principles mentioned in the terms of reference. The general approach of all the Boards in this regard has been first to set the floor i.e., the wage of the least skilled worker and then to build the structure over it. In principle, all the Wage Boards have accepted the floor to be the need-based minimum wage, as defined in the Resolution of the 15th Session of the Indian Labour Conference. The norms for this need-based minimum wage have already been given in detail at paragraph 7. In practice, the Wage Boards have found it difficult to give effect to the formula for need-based minimum wage for the least skilled worker in the existing conditions of the industries. The position has been succinctly put forward in the report of the Central Wage Board for Iron Ore Mines, 1967, as follows :—

"The various wage boards which have already submitted their reports and the Second Central Pay Commission have taken due cognizance of the need-based wage resolution ; but none of them, without exception, has been able to make a straight mathematical assessment of the wage due by converting the norms

into monetary terms and recommend it as the minimum or need-based wage. It appears that these wage fixing authorities have generally accepted the formula in principle and departed from it in actual practice when the question of its implementation came. The resolution itself did not envisage a straight adoption of the estimated wage in terms of the various norms prescribed by it. It recognised the existence of instances wherein difficulties might be experienced in its implementation and the recommendation which provided for a way out has come to be known as "escape clause" as though it is something which enables a wage fixing authority to escape from its responsibility of giving effect to the need-based wage. But, there is no denying of the unfortunate position that in a large number of cases it had become necessary to resort to this clause (which may be termed as "permissive clause") because most of the industries in the country are not yet in a position to pay a wage which would satisfy the norms prescribed for the calculation of the need-based wage."

One important point to be noted is that the Wage Boards, particularly the later ones, have had to function in a situation of steeply rising prices. The Boards have naturally found the gap between existing wage and the estimated need-based minimum getting wider, making their task of bridging the gap more difficult.

**40. Approach for Recommending Need-based Minimum Wage :** Of the Wage Boards whose reports have been published so far, those for Cement (First) and Iron and Steel industries have attempted to fix need-based minimum wage for the least skilled worker. Both these Wage Boards calculated the food component of the need based minimum wage on the basis of the "Improved Diet" given in Table No. IV of Health Bulletin No. 23 (5th edition) and not the diet in Table No. II given by Dr. Aykroyd. The food norms to be taken into account in the calculation of the need-based minimum wage have been a subject matter of much controversy in the deliberations of the Wage Boards. Of late, a sub-committee of the National Nutrition Advisory Committee examined this question and recommended "diet schedules" for different regions on the basis of which a need-based minimum wage could be worked out. The Study Group on Wage Policy,

set up by the Labour Panel of the Planning Commission, approved of the 'norms' suggested by the sub-committee, for adoption as guide-lines by the wage-fixing authorities. Possibly, these revised food-norms will be used by future Wage Boards. Another feature common to the two Wage Boards for Cement (First) and Iron and Steel industries is that both took the view that they were recommending wages for basic industries which should influence the wage rates in other industries rather than be influenced by the prevailing wages of other industries in the same region. Hence, these two Wage Boards did not find it justifiable to attach too much importance to one of the criteria, namely, prevailing rates of wages, suggested by the Fair Wages Committee, 1948, in the determination of actual wages. It may be stated that the Wage Board for the Coal Mining industry was specially asked to take into account "the impact of wage structure so evolved, on the cost of production of coal and ultimately the effect of this on various industries consuming coal". On this the majority report of the Board has stated as follows :

"Whilst cost considerations have to be kept in view, it is important to emphasise that control of costs is the primary function of efficient management and the manner in which such control is exercised is not and indeed, cannot be limited to a curb on wages. A certain minimum wage and appropriate differentials for different groups of workmen is, in a sense, the basic obligation of employers to the community, and provided the wage structure is worked out keeping in view the objective economic conditions, the levels of wages obtaining in comparable occupations and the need for labour to share in the growing prosperity of the community, the industry must adjust structurally and financially to the new level of wages."

**41. Approach when Need-based Minimum Wage is not Recommended :** A majority of Central Wage Boards have come to the conclusion that the need-based minimum wage, according to norms, adopted in the 15th Indian Labour Conference, has not been feasible because of one, or more often, a combination of the following reasons :

- (a) It would be beyond the capacity of the industry to pay.
- (b) It would unduly affect the relativity of wages among industries in the same region.

- (c) It would result in excessive and abrupt increase in wages.
- (d) It would be extravagance at the cost of the consumer on whom the burden of increased wages and salaries would fall.

When a Wage Board has come to the conclusion that the need-based minimum wage cannot be paid, its approach generally is to bridge the gap to the extent possible between the need-based minimum and the minimum being paid. This naturally opens the field for collective bargaining within the Board between the representatives of employers and employees to evolve an agreed decision. For example, the Wage Board for the tea plantation industry has pointed out that the Board's attempt was to fix fair wages, taking into account the principles set forth in the Report of the Fair Wages Committee, 1948 "as far as practicable". In the interpretation of these four words "as far as practicable", the employers' representatives put their emphasis on the clause as a whole, while the employees' representatives put emphasis on the word "far" in the clause. Between these two influences, the Board tried to work out a wage structure which would be an improvement over the existing one, which would take into account the practical conditions of the industry and economy as a whole and which would have the largest common measure of agreement between the two parties. The report of the Board states :

"The Board would like its recommendations to be judged in the essential background of unanimity, the achievement of which largely depended upon the spirit of compromise."

The Wage Board for the Rubber Plantation industry found that the views of the employers' and employees' representatives were entirely divergent on the question of basis of wage fixation and, therefore, "the only reasonable approach for the Board was to find a formula which would represent a compromise between workers' needs and industry's peculiar circumstances."

**42. Capacity to Pay :** According to the spirit of the system of Wage Boards, objective considerations should come into play in the process of collective bargaining. Some of these objective considerations are laid down in the terms of reference of the Board, e.g., the principles enunciated by the Fair Wages Committee, the needs of the industry in a developing economy, the requirements of social justice, etc.

The pivotal point among all these considerations seems to have been the capacity of the industry to pay. The Wage Boards have devoted a good deal of attention to this problem and have tried to analyse the profitability of the industry and its future prospects in great detail. The Boards have generally attempted to study the capacity of the industry to pay on industry-cum-region basis after taking a fair cross-section of the industry, as recommended by the Fair Wages Committee. Some of the Wage Boards have found it difficult to determine a fair cross-section of the industry. For example, the Wage Board for Iron Ore Mines has stated that

“a selection of mines in each region which can constitute a fair cross-section of the industry was found to be difficult. Some of the iron ore mines are captive mines and the mines also differ widely in regard to size, capacity, employment and particularly from the point of view of mechanisation.”

The same types of difficulties have been reported by Wage Boards for Coffee Plantation industry and the Limestone and Dolomite Mining industries. Some Wage Boards have also reported difficulties in obtaining necessary data for an analysis of paying capacity. On the question of industry's capacity to pay as a determinant of wages, the view expressed in the report of the Coal Wage Board is as follows :

“Contrary to the view held by some sections, the capacity of the industry to pay is not a static concept, nor is it a pre-determined quantum. It is well known that easy profits can make an industry inefficient and excessively low level of wages often results in less care being taken to ensure that labour is employed productively. It is, therefore, not sufficient to take into account the existing organisation and structure of the industry and make this the sole basis for determining the capacity of the industry to pay. At the same time, care is to be taken that the level of wages in the industry is not excessively high either in relation to their alternative occupations of similar kind or in terms of the capacity of that industry to pay without raising the price of its product to an excessive extent, thus jeopardising the future of the industry.”

Generally, the Wage Boards have tried to ensure that the industry as a whole (not individual establishments) had the capacity to pay the level of wages recommended by them. For some of the industries having a regulated cost structure (e.g. Cement and Iron & Steel), the Wage Boards left it to Government to consider whether price increases should be granted to the producers to meet the incidence of increase in wages recommended by them.

**43. Economic Situation and Prevailing Rates of Wages :** All the Wage Boards have stated that in arriving at their recommendations, they have taken into account all other pertinent considerations also e.g., the prevailing rates of wages in the same or similar occupations in the same or neighbouring localities, the place of the industry in the general economy, the general economic situation in the country, the needs of the industry in a developing economy, growth of national income, level of productivity, etc. ; but mostly it appears that these considerations have been applied in a general way. Only the consideration of "prevailing rates of wages" seems to have played a specific part in the formulation of recommendations by some of the Wage Boards. For example, the Wage Board for the jute industry decided "to devise a wage structure in the jute industry, keeping in view the pattern of existing wages in the cotton textile industry in West Bengal." The Wage Boards for Iron Ore and Limestone and Dolomite Mining industries took guidance from the wages fixed in captive limestone mines of the cement industry and in the iron and steel industry by the respective Wage Boards for those industries. The Wage Board for Sugar industry also made a careful study of comparable wages in other industries in making their recommendations.

**44. Productivity.** Consideration of productivity as a factor for determining wages finds mention in the reports of several Wage Boards, but it has generally not been found possible to recommend wages linked to productivity. The following extract from the report of the Wage Board for Iron Ore Mining industry reflects the general approach of the Wage Boards in this regard :

"Because productivity depends on a number of factors, including the extent of mechanisation, efficiency of management, working and living conditions in a mine, it may not be easy to assess it unless detailed investigations are held in each case ; but even then,

the results obtained may not be such as can be applied in all types of mining work. For a similar reason, it was not possible for the Board to fix work loads of different categories of employees and link wages thereto.....The Board is of the view that with the increase in wages in terms of this Board's recommendations, better working results can be anticipated. The present wages are low in many of the mines and this may be one of the causes of low productivity. The wages fixed by the Board are in relation to a full 8 hours work. The piece-rates in future will also be higher and should enable the piece-rated workers to earn wages much higher than at present, providing sufficient incentive to raise production."

Thus, the Wage Boards have broadly assumed that higher wages recommended by them will provide incentives for higher productivity, though they have not been able to introduce any definite linkage between the two. The Wage Board for the Coal Mining industry felt that special efforts including structural changes in the organisation of the industry would be necessary if the increase in productivity is to be rapid enough to provide a rise in the level of wages of the workers and at the same time ensure adequate resources to the industry for purposes of fresh investment. Some of the Wage Boards, e.g. for sugar industry, emphasised the obligation on the part of the workers to co-operate with agencies charged with the function of assessing workloads and agreeing to co-operate with the scheme of workload re-organisation, subject to the essential safeguard that there would be no retrenchment of existing employees, except as previously settled. It is not known what action has been taken in this regard.

**45. Piece-rates and Guaranteed Minimum :** One of the specific items in the terms of reference of Wage Boards is to bear in mind the desirability of extending the system of payment by results and in applying such a system to keep in view the need for fixing a minimum (fall-back wage) and also to safeguard against over-work and undue speed. The Wage Board for the Cotton Textile industry has pointed out that :

"Neither the employers nor labour favoured any system of progressive rates of incentives and they felt that the present system of payment by results, in

other words, straight piece-rates should not be disturbed ; and we have no desire to go counter to that view especially as over 50 per cent of the workmen are already on piece-rates.”

The Wage Board for Limestone and Dolomite Mining industries pointed out :

“The question of extension of piece-rated occupations also came up for consideration. Both labour and organised sector of the industry, for their own reasons, did not appear to be in favour of such extension.”

The Wage Board for the Coal Mining industry also has not been able to extend the piece-rated system prevailing in the industry because of “certain inhibiting factors in the very nature of production in the industry”. The Wage Board (First) for Cement industry came to the conclusion that the introduction of the piece-rate system was not feasible in a large number of occupations connected with manufacturing processes, because individual or even group performances were not measurable. The Board, however, made recommendations about fall-back wages for existing piece-rates. The Wage Board for Jute industry adjusted upward the unit rates for piece-rated occupations, but did not go into the basis of existing piece-rates. It also worked out expected earnings in the piece-rated occupations for a month of 208 hours and recommended the same as fall-back wages, provided the workers did not adopt go-slow methods. In some cases (e.g. Tea and Coffee Plantation industries), the Wage Board did not revise the piece-rates and left it to the employers to adjust them bearing in mind the increased wages recommended by the Board for time-rated workers. In general, it can be concluded that the extension of the system of payment by results has not received much encouragement from the recommendations of the Wage Boards. Some of the Wage Boards have, however, fixed guaranteed minimum wages for existing piece-rated occupations. A clear formulation of the principle in this regard is found in the following recommendation of the Wage Board for Limestone and Dolomite Mining industries :

“A minimum fall-back wage should be paid to the piece-rated workers when they are unable to perform their norm of work under circumstances beyond their control, such as when sufficient work is not available, when there is any natural impedi-

ments on account of which work cannot be carried on. To be entitled to the fall-back wages, workers should not leave premises before the shift is over without prior permission of management. The daily fall-back wage should be 80 per cent of the daily wage of a time-rated worker of the corresponding category".

#### DEARNES ALLOWANCE

46. **General Approach:** According to the prevailing system of wage payments in industries in this country, the total remuneration is usually broken up into two components, namely, basic wages and dearness allowance. All the Wage Boards, except the one for Coffee Plantation industry, recommended a similar pattern and awarded a variable component of dearness allowance linked with consumer price index numbers in addition to basic wages. In several cases, this meant a change from the existing system of a fixed dearness allowance to variable dearness allowance to compensate for the rise in prices. The Board for the Coffee Plantation industry recommended a consolidated wage for the industry, as mutually agreed upon by the representatives of employers and employees ; but it recommended a regular rise in the wages from year to year to take into account the expected rise in the cost of living. The general approach followed by the Wage Boards has been to fix the total emoluments with reference to the time period when they made their recommendations, and then from this set apart an amount of dearness allowance to be adjusted at periodical intervals in future. In separating out the component of dearness allowance from the total remuneration, some of the Wage Boards, such as for Jute and Iron and Steel industries, maintained the prevailing level of dearness allowance, while some others, such as for Tea Plantation industry, recommended basic wages corresponding to the level of the consumer price index during the period from which its recommendations were to take effect and dearness allowance for future periods according to the rise in the level of the consumer price index. The Wage Board for the Coal Mining industry also consolidated basic wages and dearness allowance at the level of average consumer price index number for the year 1965 and recommended compensation for the rise in the index above the level of 1965 through a new scheme of variable dearness allowance. The Wage Board for the Cotton Textile industry

made a general recommendation that a consolidation of dearness allowance with basic wages in each mill should take place at an index which would yield an amount equal to three-fourths of the average dearness allowance for the first six months of 1959 and the remaining 25 per cent would continue to be linked to the consumer price index according to existin method and existing scale. One general point to be noted is that each Wage Board determined its recommended total remuneration with reference to the price-level of the period when they made their recommendations. The price-level taken into consideration varied from Board to Board, because the Boards were appointed and made their recommendations at different periods of time from 1959 onwards. Also, the quantum of dearness allowance was not determined by the Boards on the basis of any uniform principles. Therefore, basic wages recommended by the Boards referred to price-levels of different periods of time. In the face of the situation of continuously rising prices, the Wage Boards have no doubt taken cognizance of the need for continuous relief in the form of a variable dearness al owance, but they have been hard put to determine a fair standard of its quantum and mechanism for its periodical adjustment.

47. **Linking Formulae** : Each Wage Board recommended a formula for linking the dearness allowance with consumer price index numbers for the future period. These formulae have varied from Board to Board in certain important respects. Some of the Wage Boards, such as for Cement, Sugar, Iron and Steel, Iron Ore Mining, Coal Mining and Tea Plantation industries recommended linking of dearness allowance with one single index, namely, the All-India Working Class Consumer Price Index for all establishments of the industry irrespective of their location. Other Wage Boards, such as for Cotton Textile and Jute Textile industries, recommended linking of dearness allowance with consumer price index numbers for respective individual centres of the industry or with index numbers for the nearest centre available. The recommendations regarding the periodicity of revision of dearness allowance also varied from Board to Board. Monthly revision was recommended by the Wage Boards for Cotton Textile and Cement industries, quarterly by the Boards for Iron and Steel and Iron Ore Mining industries, six-monthly by the Boards for Coal Mining and Jute industry and annually by

the Board for Tea Plantation and Sugar industries. Another type of variation in the formulae was that while some of the Boards, such as for Cotton Textile, recommended point to point adjustment of dearness allowance with consumer price index numbers, others prescribed slabs of index numbers, say of 2,5 or 10 points, with no adjustment in dearness allowance so long as the index did not move beyond a slab. Several of the Wage Boards did not clearly indicate the percentage of neutralisation awarded in the formulae recommended by them for linking dearness allowance with consumer price index numbers. The Wage Board for the Iron and Steel industry has stated that it has allowed 100 per cent neutralisation for the lowest category of employees, tapering off gradually in higher wage-brackets ; but the position is not clear for the recommendations of several other Wage Boards.

#### WAGE DIFFERENTIALS

48. **General Approach :** In the terms of reference, the Wage Boards are asked to evolve a wage structure for the industry. A wage structure must necessarily allow for differentials and these differentials may be of different types, e.g. geographical differentials, occupational differentials, differentials by size of establishments, sex differentials or differentials between the wages of men and women workers, etc. The terms of reference of the Wage Boards specifically lay down that the Boards should consider the need for adjusting wage differentials in such a manner as to provide incentives to workers for advancing their skills. The manner in which the Wage Boards have tackled this problem of differentials has varied. At one end, the Wage Board for the Cotton Textile industry gave a general increase in the wages of the lowest paid workers in various regions and left the wages of all other categories to be settled by the industry. At the other end, the Wage Board for the Sugar industry made a scientific study of the wage-structure, revised and standardised the nomenclature and job description of the various occupations and then recommended wage scales for different groups of occupations at different regions. In the Coal Mining industry, the workers had already been classified into ten categories with the framing of detailed job description and occupational nomenclature under each category by an earlier Tribunal. The Wage Board for this industry reduced the categories to six and revised the job description and occupational nomenclature falling under

each category. This process widened the differentials which, the Wage Board felt, would allow the workers a real incentive to improve their skills. In between, the other Wage Boards have generally followed the cautious approach of not introducing any radical change in the existing wage structures and they have maintained the existing differentials except for adjustments necessary by reason of revision of the wage of the lowest category of workers or to remove apparent anomalies. The position is discussed below for each type of differential.

49. **Geographical Differentials.** By geographical differential is meant the variation in wages that is to be allowed from one centre/region of the industry to another. Such differentials arise from many factors, such as, regional imbalances between the demand for and supply of labour and connected factors, regional differences in the cost of living, differences in labour productivity, differences in the capacity of the industry to pay in different regions and so on. The problem was tackled by the Wage Board for the Sugar industry by fixing a uniform basic minimum wage throughout the country and a system of graduated dearness allowance which was so devised as "to adjust the wage structure to the regional differences in the paying capacity of the industry." The Wage Board for the Iron-ore Mining industry fixed the same wage for the entire industry but allowed the low-wage units to increase their wages in a phased manner to the uniform wage recommended by the Wage Board for the industry as a whole. The Wage Board for the Coal Mining industry recommended wages and other conditions for all workmen as the minimum below which no colliery management would be permitted to go. A majority of Wage Boards, however, maintained the existing regional differentials in the wage structure, save at places where the differentials were apparently incongruous. An explanation for keeping regional differentials is given in the report of the Wage Board for the Cotton Textile industry in the following words :

"There are some broad differences in the condition and operation of mills in the different regions. Conditions differ from region to region not only as regards volume, quality and consumer preference, but also as to wage rates. The problem of rehabilitation, rationalisation and modernisation also differ from region to region and for different rea-

sons. We have to take note of these differences against the ever compelling background of capacity."

The Wage Board for the Rubber Plantation industry came to the conclusion that the existing differentials in wages between Kerala and Madras States were unjustified and hence they eliminated the differentials by fixing the same wages for both the States ; but for other States, the Board accepted the existing differentials. The Wage Boards for Coffee and Tea plantations kept the existing differentials by States, and sometimes by areas within a State, except for minor adjustments wherever necessary.

**50. Occupational Differentials :** The Wage Board for the Sugar industry found that the wage rates for the same or similar occupations in a State or region showed such wide variations that far from noticing any system of differentials, it became difficult to formulate any idea of the tendency of wage applicable to particular occupations. A scientific job-evaluation becomes necessary for properly re-casting the occupational wage structure in such a situation and this is what the Wage Board for the Sugar industry attempted through a special sub-committee. The Wage Board for the Iron and Steel industry also wanted such a study to be carried out and appointed a special sub-committee for the purpose. This sub-committee, however, could not finish its work by the time the Wage Board had to make their recommendations and, therefore, the Board decided to fix the wage scales on the basis of the existing differentials, "which were the products of hard collective bargaining in some of the plants and which had stood the test of time." The Wage Board (First) for the Cement industry did not consider it expedient to embark on job analysis among various categories of workmen. The course which it adopted was to disturb as little as possible the existing differentials "which have been determined by custom and usage, local circumstances, awards and agreements". Thus, many of the Wage Boards, which have gone by the existing differentials, seem to have assumed that the existing differentials represent a rough job evaluation. The correctness of such an assumption is open to doubt. However, even though many of the Wage Boards have not digressed materially from existing occupational differentials in wages, several of them have tried to reduce the number of wage groups or wage scales and thus to narrow down the differentials to some extent.

51. **Size Differentials.** Wage differentials by size of establishments have been allowed by the Wage Boards for Tea, Coffee and Rubber Plantation industries. The main reason for this was that the prevailing wage-practices in these industries allowed for differentials by the size of estates. In this connection, the following extract from the report of the Wage Board for Coffee Plantation industry is of interest :

"The practice of dividing estates according to area was initiated by agreements, as prior to such agreements, the wages were uniform in a region. But the differentiation of plantations in the region on the basis of acreage goes against the practice of wage fixation on an industry-cum-region basis. The predominance of small growers in the coffee plantation industry and the existence of the agreements relating to industry indicating the will of the parties for making such differentiation has, however, impelled the Board to retain the existing wage differentials on the acreage basis."

The Wage Board for the Rubber Plantation industry felt that there was no justification for discriminating on the basis of size of plantations but "since there have been different wages for estates of 200 acres and more and estates of less than 200 acres, the Board considered that it would not be desirable to do away with such differentials immediately. For the present, therefore, these differentials are being reduced to provide for different wages for estates of 100 acres or more and those which are less than 100 acres." Thus, in the matter of recommending size-differentials in wages for the Plantation industries, the spirit of collective bargaining seems to have prevailed over purely economic considerations.

52. **Sex Differentials.** The various Wage Boards have kept in view the International Convention and the Directive Principle of State Policy under the Constitution of India regarding "equal pay for equal work" between men and women workers. Wherever they have recommended a differential between the wages of men and women workers, it is on the basis of differences in the nature of work performed by them. In several cases, however, the attempt of the Wage Boards has been to narrow down the sex-differentials. For example, the Wage Board for the Coffee Plantation industry reduced the differentials in wages for men and women from 8 : 6 to 10 : 8.

## OTHER MATTERS DEALT WITH BY WAGE BOARDS

53. Some of the Wage Boards have also dealt with other connected matters, e.g. grain concession, fitment of existing employees in the revised scales, weekly-off, leave, gratuity, etc. One general principle which has emerged is that the Board's recommendations are without prejudice to the existing higher earnings, benefits, amenities, etc., which are presently available to workers under any statute, custom, agreement or practice. It follows that consequent on implementation of the proposals of a Wage Board, no worker/employee should get less than what he/she used to get before. Some of the Wage Boards have also recommended that if any dispute arises on interpretation of the recommendations or on any of the issues connected with placement in new scales, this might be resolved through negotiations between management and workers' union of the concerned establishment. For the Rubber Plantation industry, it is laid down that such disputes should be referred to the Labour Commissioner of the State concerned who should give his interpretation with the cooption of a representative each of the employers' and workers' organisations in the State. The Wage Board for the Tea Plantation industry suggested arbitration by a sitting or retired High Court Judge whose decision shall be final and binding on the parties.

## UNIFORMITY AND STANDARDISATION OF WAGE STRUCTURE

54. The foregoing analysis clearly shows that the emphasis on the various wage-fixation principles and problems has varied from Board to Board. There are two primary reasons for this. Firstly, each Wage Board is set up for a particular industry and naturally it looks at the problems more from the angle of that industry than from an overall point of view. Secondly, the system of Central Wage Boards, as it has evolved, operates on the basis of a large element of collective bargaining within the Board between the representatives of employers and employees. The Boards are naturally anxious to formulate agreed decisions because the process of implementation of the recommendations of the Wage Boards is purely voluntary and agreed decisions have the best chance for ready acceptance and easy implementation. Therefore, purely economic considerations seem to have taken a secondary place in the deliberations of the Boards.

55. One of the expectations from the system of Wage Boards was that it would lead to standardisation of occupational nomenclature, job descriptions and wage in the same industry throughout the country, thus removing a major source of industrial friction. This is a difficult and complex task as even in respect of the same industry, wages and conditions of work have differed not only from region to region but also from unit to unit in the same region. These disparities are due to historical and economic reasons. While the Wage Boards have been able to achieve a considerable measure of uniformity and standardisation between different units of the same industry in the same region, much more remains to be done in this direction at the national level. The Committee is of the view that the Wage Boards can be useful instruments for progressively achieving this objective.

#### IMPACT OF THE RECOMMENDATIONS OF THE WAGE BOARDS

56. **On Wage Levels.** The workers have benefited materially, though in varying degrees, from the recommendations of the Wage Boards. In units or industries, where wages have been unduly depressed, the percentage increases in wages have been relatively high.

Nearly all the Wage Boards have given a variable component of dearness allowance linked to consumer price index numbers. This has helped to protect the real earnings of workers in the face of steep rise in prices witnessed in recent years. However, a correct assessment of the position can be made only on the basis of a proper study of variations in real wages of workers in the industries concerned since the period of recommendations of the Wage Boards.

It should be mentioned, however, that in a majority of cases, the wages recommended by the Boards fall short of the need-based minimum wage, according to norms adopted by the 15th Indian Labour Conference.

57. **On Wage Structure.** The Wage Boards have brought some order in the wage-structure of the industries by specifying uniform wages for the industry as a whole or, more often, for particular sections of industries, e.g. establishments in the same area/region or establishments of the same size-group in the same area/region. The Boards have not been able to proceed far enough in the matter of standardisation of wages, taking the term "standardisation" to connote evolution of a scientific and rational wage structure.

A notable exception is the Coal industry where a considerable headway has been made in the direction of standardisation of wages by agreements between the representatives of employers and employees which were placed before the Coal Tribunal and subsequently reviewed by the Coal Wage Board. Two other Wage Boards, viz., those for Sugar and Iron and Steel industries initiated good work in the direction of standardisation through scientific investigations. The Committee is of the view that this aspect of the matter should receive greater attention at the hands of the Wage Boards in future.

**58. On Wage Policies.** The Wage Boards by themselves do not frame wage policies. Under its terms of reference, each Wage Board is required to work out a wage structure based on the principles of fair wages, as set forth in the Report of the Committee on Fair Wages. In doing so, a Wage Board is required, in addition to considerations relating to fair wages, also to take into account (a) the needs of industries in a developing country ; (b) the requirements of social justice ; (c) the desirability of extending the system of payment by results; (d) the impact of wage structure so evolved on the cost of production; and (e) the need for adjusting wage differentials in such manner as to provide incentives to workmen for advancing their skill.

In actual practice, it appears that the Wage Boards have generally confined their attention to upgrading money wages of workers to improve their basic wages and meet the rise in the cost of living. The Committee is of the opinion that the reports of Wage Boards should also contain recommendations for provision of real incentives to workmen for advancing their skill and for increasing output and earnings through higher productivity.

**59. On Industrial Relations.** For each of the industries covered by Wage Boards, annual statistics of industrial disputes resulting in work stoppages, broken up as wage disputes and non-wage disputes, have been examined. Many of the Wage Boards have made their recommendations fairly recently and for the industries covered by them, data are not available over a sufficient time-period to come to any firm conclusions. For four industries, namely, cotton textile, jute textile, cement and sugar, data are available over a few years after the Wage Boards have made their recommendations; but even in their cases, no meaningful conclusions could be drawn from the statistics because of intervention of several

factors, such as adoption of the Code of Discipline, suspension of industrial agitation under emergency conditions in 1962 and 1965, etc. However, in the absence of the Wage Boards, the time-loss due to wage disputes resulting in work stoppages would probably have been much higher. In fine, without making very detailed studies, it is not possible to judge the impact of the recommendations of the Wage Boards on industrial relations.

60. **On Prices.** The price-level has been under such diverse pressures from different directions in recent years that it is difficult to judge how far the increased wages recommended by the Wage Boards have generated inflationary pressures. It is, however, true that for some of the industries subject to price regulation, e.g. Cement and Iron and Steel, Government had to allow increases in prices to producers directly as a result of implementation of the recommendations of the Wage Boards.



## CHAPTER V

### **A CRITICAL APPRAISAL OF THE FUNCTIONING OF THE SYSTEM OF WAGE BOARDS AND SUGGESTIONS FOR IMPROVEMENT**

#### **DEFECTS IN THE EXISTING SYSTEM**

61. The system of Central Wage Boards has been functioning for over a decade now and it is the opinion of the members of the Committee that on the whole it has served a useful purpose. As bi-partite collective bargaining on wages and allied issues on an industrywise basis at the national level has not been found to be practicable at present for various reasons, this system has provided a machinery for the same. It is true that the system has not fully met all the expectations mentioned in para 18 and particularly in recent years there has been an erosion of faith in this system on the part of both employers and employees. Some of the factors responsible for this have been discussed earlier. For example, it has been shown in paragraphs 21 to 23 that various routine and avoidable delays have resulted in the Wage Boards taking an unduly long time to submit their recommendations. It has been stated in paragraph 24 that of late the recommendations of the Wage Boards have tended to be non-unanimous and controversial. It has also been stated in paragraph 25 that difficulties are increasingly coming in the way of implementation of accepted recommendations of the Wage Boards and the resultant position is unsatisfactory. The Committee is, however, convinced that these defects are not such as cannot be remedied and in that spirit it is making its recommendations.

#### **SUGGESTED CHANGES IN COMPOSITION AND FUNCTIONING OF WAGE BOARDS**

62. As mentioned in paragraph 13, at present Wage Boards are composed of equal number of representatives of employers and employees (2 or 3 from each side), two Independent Members and a Chairman. This composition of the Wage Board has received the greatest attention of the Committee and considerable thought has been given to the best form such composition should take so that the Wage Boards can

arrive at unanimous conclusions in the shortest possible time. While the members of the Committee agree to the objectives, there are some differences of views in regard to the means to be adopted.

One view is that the present composition of the Wage Boards should remain unaltered ; but the roles to be played by the Independent Members and the Chairman should be streamlined in the context of recent experiences of the functioning of the Wage Boards.

As mentioned in paragraph 26, Independent Members have a very important role to play in the deliberations of the Wage Boards. It was represented to the Committee that in some cases in the past the right type of persons were not selected and in some other cases, where right choices were made, the persons concerned could not devote sufficient time to the work of the Wage Boards. (The Committee was also told that the allowances paid to the Independent Members under the revised D.A. and T.A. rules of Government are not only inadequate but also result in financial loss to the Members.)

If these defects in the selection of Members are removed, it will lead to the Independent Members functioning in a more effective way in the Wage Boards. Apart from their representing public and community interests in the deliberations of Wage Boards, they can also play a very useful role as mediators, whenever there is a disagreement between the representatives of employers and employees.

The Members of the Committee holding this view are of the opinion that the recommendations of the Wage Boards must necessarily emerge as unanimous in order to make them more readily acceptable. For this purpose, a built-in system of internal arbitration by the Chairman of the Wage Board must be introduced. This means that when all efforts for bringing the two sides together have failed, the Chairman of the Wage Board will assume the role of an arbitrator and his decisions will be the unanimous decisions of the Board.

If the Chairman has to play the role of an arbitrator at the final stage, it will be embarrassing for him to function as a mediator between the two parties at the earlier stage. This function of mediators is proposed to be assigned to the Independent Members by the members of the Committee who hold this view.

What finally emerges from this view is that a two-tier system of mediation and arbitration will be automatically

built into future Wage Boards in order that their recommendations can in all cases emerge as unanimous.

Another view is totally against the inclusion of Independent Members. This stand is based on a number of grounds: Firstly, the concept of the Wage Board, as originally propounded by the Second Five-Year Plan was to the effect that :

"A more acceptable machinery for settling wage disputes will be one which gives the parties themselves a more responsible role in reaching decisions. An authority like a tripartite Wage Board, *consisting of equal representatives of employers and workers and an independent Chairman*, will probably ensure more acceptable decisions. Such Wage Boards should be constituted for individual industries in different areas."

However, when the First Wage Board for the Cotton Textile Industry was set up in March, 1957, about a year after the adoption of the Second Five-Year Plan, Government, on their own, without previous discussion at any of the tripartite conferences, had included two "independent" members in that Wage Board; this apparently provided the pattern for the subsequent Boards, although the authors of the Wage Board Scheme rightly did not visualise the inclusion of any outsiders as Members of Wage Boards.

Secondly, experience does not bear out that the presence of the so-called Independent Members has necessarily brought to the Wage Board either an expertise or an objective outlook which recognisably takes special care of the national or consumers' interests.

Thirdly, it is not clear whether such Independent Members were expected to function as mediators between the employers' and workers' representatives on the Board. In actual practice, this has not always happened in the past. Even assuming such specific role is assigned to them, the result is highly doubtful because mediation work is a skill not easily acquired by one and all.

Fourthly, the very presence of Members, other than the representatives of employers and workers, will stand in the way of the Wage Board developing into a real bipartite machinery, which is the desired goal.

Lastly, the inclusion in the Board of Independent Members will very likely result in the Independent Members

throwing their weight in favour of one or the other side, thereby accentuating the possibility of majority and minority recommendations.

These members of the Committee are further of the view that the possibility of internal arbitration by the Chairman between employers' and workers' representatives can be thought of and will arise if only there are no Independent Members on the Board. Only in such circumstances are they willing to accept internal arbitration by the Chairman, whether the Chairman is an agreed nominee of the employers' and workers' representatives or appointed by Government.

On the other hand, if there are Independent Members on the Wage Board, these members of the Committee are against internal arbitration. In that case, Government should accept only the unanimous recommendations. In the event of there being no unanimity, Government should first call the representatives of the interests concerned for a discussion, and only thereafter Government should announce their final decision.

Yet another view is in favour of accepting internal arbitration by the Chairman, provided he is chosen by common consent of the employers and employees in the industry concerned. In that event, according to this view, there would be no objection to including Independent Members in the Board. If, however, the Chairman is not selected by common consent, Independent Members should not find a place on the Board, and arbitration by the Chairman would also not be acceptable. In such a case, it should be left to the Government to take final decisions on the non-unanimous recommendations of the Board, after a final round of consultations with the parties concerned.

Finally, the Committee is of the view that it will be useful for the Wage Boards to have the assistance of Technical Assessors and Experts.

#### SUGGESTED PROCEDURE FOR SELECTION OF CHAIRMAN

63. The Chairman has to play an important role in bringing about unanimity in the Wage Board and for this purpose it is very desirable that the Chairman is acceptable both to the representatives of employers and workers. The Committee, therefore, suggests that the Government in the first instance should explore the possibilities of selecting a Chairman who is acceptable to the organisations of employers and

workers concerned. In case, however, there is no agreement on the choice of the Chairman between the two sides, the Government will be free to nominate a Chairman. In nominating the Chairman, the Government may keep the following considerations in view :

- (a) Preferably, a person with experience of Industrial Tribunals should be selected as the Chairman of the Wage Board. (In this connection, the Committee feels that it will be desirable to build up a cadre of persons who can successively go through the experience of Labour Courts, Industrial Tribunals, National Tribunals and Wage Boards.)
- (b) If a retired Judge is selected as the Chairman of a Wage Board he should not have an extension of service for more than two years.
- (c) It is not always necessary to select Chairmen of Wage Boards solely from the judiciary. Persons enjoying confidence of both employers and employees and/or having knowledge and experience of industry and labour may also be considered for Chairmanship of Wage Boards.
- (d) No person should be appointed as Chairman of more than two Wage Boards at the same time.

#### **SUGGESTIONS FOR SELECTION OF WORKERS' REPRESENTATIVES**

64. It has been stated in paragraph 13 that labour seats are allotted to different central organisations/federations of workers, keeping in view the latest figures of their verified membership. The Committee recognises that sometimes this may result in large sections of workers not finding representation on the Boards and on that account difficulties may arise in the implementation of recommendations. At the same time, organisations not having a substantial membership in the industry concerned should be excluded. Keeping these requirements in view, Government may examine the existing procedure in consultation with the central trade union organisations.

#### **SUGGESTIONS FOR FIXING THE TERMS OF WAGE BOARDS**

65. In paragraph 14 it has been stated that the terms of reference of the Wage Boards are fixed by Government more or less on a set pattern with some minor additions and/or alterations. The Committee is of the view that once it is

decided to set up a Wage Board for a particular industry, Government should decide its terms of reference in consultation with the organisations of employers and workers to be represented in the Wage Board.

#### SUGGESTED MEASURES FOR AVOIDANCE OF DELAY

66. The Committee is of the view that the period of 3 to 5 years taken at present by Wage Boards to complete their work, as discussed in paragraph 21, is too long. The working procedures of a Wage Board should be simplified to cut out routine delays. At present, much time is wasted in preparing a detailed questionnaire and in having the same printed. The Committee suggests that on the basis of the experience of the past Wage Boards, a standard and compact questionnaire should be prepared covering the common items of information which will be required by all Wage Boards. Sufficient printed copies of this standard questionnaire should be kept ready so that as soon as a Wage Board is appointed, this standard questionnaire together with the terms of reference of the Wage Board can be issued to all concerned. After the issue of the standard questionnaire, the Wage Board can consider what further information, if any, relating specifically to the industry concerned should be collected and a short supplementary questionnaire may be prepared and issued to all concerned. Printing may be done in private presses if that would cut short the delay. For this purpose, rate-contracts valid for a year or two might be entered with some private presses by the competent authority after following the usual tender system.

To overcome the difficulties regarding recruitment of staff and processing of the statistical and other information, the Committee suggests that a Central Wage Board Division should be set up in the Union Ministry of Labour on a permanent basis to service all the Wage Boards. This Division should be under the charge of a senior Secretary with necessary Assistant Secretaries and a pool of stenographers and other administrative and clerical staff usually needed by the Wage Boards. When a particular Wage Board is set up, the necessary staff will be lent to the Wage Board from this central pool. This Central Wage Board Division should have a special unit for processing and supplying all statistical and other information needed by the Wage Boards. For this purpose, it may also maintain a close liaison with the Labour Bureau, Simla. It is felt that with this arrangement a cadre of experienced officers and staff for work relating to

**Wage Boards will be built up and will greatly facilitate their functioning.**

The Committee feels that at present many of the suggestions of the Wage Boards are not followed up properly. An instance is the suggestion of the Sugar Wage Board about re-organisation of workload. The Committee suggests that it should be the function of the Central Wage Board Division to report on the progress of implementation of the accepted recommendations of the various Wage Boards.

The Committee is of the view that on-the-spot inspections by the Wage Boards should be reduced to a minimum and confined only to what is considered relevant and necessary.

The Committee also feels that a manual of procedure for Wage Boards may be prepared based on the past experience so as to provide a ready guide to all Wage Boards in minor matters like quorum, procedure of public hearing, etc. Such a guide, besides saving time, will also introduce a sort of uniformity in procedure.

The Committee is of the view that if the above mentioned measures are taken, it should be possible for a Wage Board to complete its work and submit its recommendations in a year's time from the date on which it is set up.

#### **SUGGESTIONS REGARDING GOVERNMENT'S ACCEPTANCE OF RECOMMENDATIONS OF WAGE BOARDS**

67. The Committee is of the opinion that all unanimous recommendations of the Wage Boards should normally be accepted by the Government. In case the recommendations are not unanimous, the Government should hold consultations with the organisations of employers and employees which were represented in the Wage Board before arriving at a final decision.

#### **SUGGESTED MEASURES FOR EFFECTIVE IMPLEMENTATION OF THE ACCEPTED RECOMMENDATIONS**

68. The Committee is of the view that the present voluntary character of the Wage Boards should continue, but their recommendations should be made statutorily binding on the parties concerned. In this connection the Committee notes that in U.P. the recommendations of some of the Wage Boards have been enforced statutorily under Section (3) of the U.P. Industrial Disputes Act. The Committee suggests that

suitable provision should be made in the relevant Central and State laws to make the Wage Board recommendations accepted by Government statutorily enforceable in all the States.

The Committee is impressed by the experience of the statutory Wage Boards in Maharashtra and Gujarat States, as discussed in paragraph 27. It feels that such standing machinery can serve a very useful purpose in supplementing the work of the Central Wage Boards in follow-up action, in solving problems of fitting the existing employees in the revised grades, in resolving disputes regarding interpretation of the recommendations of Wage Boards, etc. Such machinery can also take up the work relating to standardisation of occupational nomenclature and job-content and study of schemes of payment by results. The Committee, therefore, suggests creation of such permanent machinery for all the industries covered by Wage Boards.

#### PERIOD OF OPERATION OF THE ACCEPTED RECOMMENDATIONS

69. At present, the period of operation of accepted recommendations of Wage Boards has mostly been 5 years. The Committee considers this period of operation to be long and suggests that the period of operation of the accepted recommendations of Wage Boards should be between 2 and 3 years. At the end of this period, wages in the industry should be reviewed by a suitable machinery. The setting up of a second or successive Wages Boards for the same industry after stipulated periods should not be axiomatic but each case should be considered on merit.

#### OTHER MATTERS CONSIDERED BY THE COMMITTEE

70. The Committee takes note of the fact that for some industries, like engineering, which is heterogeneous in nature, or like transport, where there are a large number of very small operators, there may be special difficulties in covering all the establishments by one Central Wage Board. A suggestion made in the Committee is that for a heterogeneous industry, either a unitary Wage Board can be set up with different commissions for each specialised branch of the industry or there can be separate Wage Boards for each specialised branch of such an industry.

The Committee has considered a number of issues connected with principles for determination of wages, e.g.

on what basis occupational differentials in wages should be determined, how geographical differentials in wages should be allowed for, what should be the criteria for determining the capacity of the industry to pay, etc. On these issues there is some divergence of views among the members but the consensus is that since future Wage Boards are proposed to be essentially a machinery for collective bargaining, these issues can best be settled by mutual discussions between the representatives of employers and workers.



CHAPTER VI

**SUMMARY OF CONCLUSIONS AND  
RECOMMENDATIONS**

1. The system of Central Wage Boards has led to higher money wages for workers, but this has to be seen against the background of steeply rising price level during the last 5 years. Further, the wages for the least-skilled worker in the industries covered by the Wage Boards are in almost all cases still below the need-based minimum according to norms adopted in the 15th Indian Labour Conference. (Paragraph 56)
2. The system of Central Wage Boards has led to some progress in the standardisation of wages in the industries though, generally speaking, much more remains to be done in this direction. (Paragraph 57)
3. The Wage Boards have not so far found it possible to extend the system of payment by results and consequently it has not resulted in wages being linked to productivity. (Paragraphs 44 and 45)
4. The Reports of the Wage Boards should also contain recommendations for provision of real incentives to workmen for advancing their skill and for increasing output and earnings through higher productivity. (Paragraph 58)
5. It is not possible to judge clearly to what extent the system of Central Wage Boards has contributed towards industrial harmony, though it is felt that in the absence of this system the time-loss in the industries due to work-stoppages resulting from wage disputes would have been higher. (Paragraph 59)
6. It is not possible to judge clearly to what extent wage increases resulting from the recommendations of Wage Boards have generated inflationary pressures. (Paragraph 60)
7. On the whole, the system of Central Wage Boards has provided a useful forum for collective bargain-

ing on industry-wise basis and it is necessary to continue this system with modifications necessary to remove the defects noticed of late. (Paragraph 61)

8. The main defects which have appeared in the system of Central Wage Boards are :
  - (a) The recommendations have tended to be non-unanimous of late ;
  - (b) The time taken by the Wage Boards to complete their work has been unduly long ; and
  - (c) Difficulties have been increasingly coming in the way of implementation of the recommendations of the Wage Boards. (Paragraph 61)
9. The Committee recommends that in future, Wage Boards should function essentially as a machinery for collective bargaining and the Boards should strive for unanimity. This will necessitate some changes in the composition and functioning of the Wage Boards as discussed below :
  - (a) Opinion is equally divided among members of the Committee regarding the role to be played by Independent Members. One view is that Independent Members can play a very useful role as mediators in case of disagreement between the representatives of employers and workers. The other view is that Independent Members should not at all be represented in future Wage Boards as they have no place in collective bargaining.
  - (b) Opinion is also divided among members of the Committee regarding the role to be played by the Chairman of a Wage Board. One view is that in case of disagreement between the two sides, the Chairman should act as an arbitrator and his decision will be binding on both sides, thus, making the recommendations of the Wage Boards unanimous. The second view accepts the role of Chairman as arbitrator, provided there are no Independent Members on the Board. The third view accepts the role of Chairman as arbitrator only in cases where he is chosen by the common consent of both the sides.

The Committee is of the view that it will be useful for the Wage Boards to have the assistance of Technical Assessors and Experts. (Paragraph 62)

10. The Committee recommends that the Chairman of a Wage Board should preferably be selected by common consent of organisations of employers and employees in the industry concerned. If, however, agreement on the Chairman between the two sides is not possible, Government will nominate the Chairman. In nominating the Chairman, the Government should give preference to persons having experience of Industrial Tribunals. If a retired Judge is selected, he should not have an extension of service for more than two years. It is not necessary to select Chairmen from the judiciary only. Persons enjoying confidence of both employers and employees and/or having knowledge and experience of industry and labour may also be considered for chairmanship. No person should be appointed as Chairman of more than two Wage Boards at the same time. (Paragraph 63)
11. Government should examine in consultation with central trade union organisations the present procedure for giving representation to central organisations/federations of workers and make such modifications as may be necessary in order not to leave large sections of workers unrepresented. (Paragraph 64)
12. Government should decide the terms of reference of Wage Boards in consultation with the organisations of employers and workers concerned. (Paragraph 65)
13. In order that the Wage Boards are able to complete their work expeditiously, the Committee recommends as follows :—
  - (a) A Central Wage Boards Division should be set up in the Union Ministry of Labour on a permanent basis to service all Wage Boards.
  - (b) This Division should have a special unit for processing and supplying statistical and other information needed by the Wage Boards and it should maintain close liaison with Labour Bureau, Simla.

- (c) The Central Wage Board Division suggested above will lend the necessary staff to the Wage Boards.
- (d) The Division should report on the progress of implementation of accepted recommendations of the various Wage Boards.
- (e) A standard questionnaire should be prepared, kept ready and issued as soon as a Wage Board is set up and this may be followed up by a short supplementary questionnaire to collect information peculiar to the industry concerned.
- (f) On-the spot inspections by Wage Boards should be reduced to the minimum and confined only to what is considered relevant and necessary.
- (g) A manual of procedure for Wage Boards should be prepared.
- (h) The Wage Boards should complete their work within a year. (Paragraph 66)

14. The Committee recommends that Government should normally accept all unanimous recommendations of Wage Boards. In case of non-unanimous recommendations, the Government should hold consultations with the organisations of employers and employees which were represented in the Wage Board before arriving at a final decision. (Paragraph 65)

15. In regard to more effective and speedy implementation of the recommendations of the Wage Boards, the Committee recommends as follows:

- (a) Though the Wage Boards should not be set up under any statute, their recommendations, as finally accepted by Government, should be made statutorily binding on the parties. Suitable provision should be made in the relevant Central and State laws for this purpose.
- (b) For the industries covered by various Wage Boards, a permanent machinery should be created by the appropriate Government for follow up action on the recommendations of the Central Wage Boards, for fitting workers in individual units of the industry into the revised

scales recommended by Central Wage Boards and for carrying on work relating to standardisation of occupational nomenclature and job-content, system of payment by results, etc. as may be necessary. (Paragraph 68)

16. The Committee recommends that the period of operation of accepted recommendations of Wage Boards should be between 2 to 3 years after which the need for a subsequent Wage Board may be considered on merit. (Paragraph 69)
17. The Committee recommends that due consideration should be given to difficulties which may arise in covering all the establishments of an industry by one Wage Board. (Paragraph 70)
18. The Committee recommends that various issues which arise in determining the wage structure, such as the geographical and occupational differentials to be allowed, the basis for determining capacity of the industry to pay, etc. should be settled mutually between the parties. (Paragraph 70)

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18.1.68

Sd/—P. Chentsal Rao

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Sd/—T.S. Swaminathan

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Sd/—G.C.L. Joneja

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Sd/—Indrajit Gupta

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Sd/—T.R. Bhagwat

19.1.68

Sd/—A. C. Basu

18.1.68